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BOND
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BOND STORES, INCORPORATED

ANNUAL REPORT TO STOCKHOLDERS

YEAR ENDED DECEMBER 31, 1942

OFFICERS

BENJ. J. FRIEDMAN	<i>President</i>
BARNEY RUBEN	<i>Vice-President and Treasurer</i>
IRVING COHEN	<i>Vice-President and Secretary</i>
JAMES W. CONNORS	<i>Vice-President</i>
SYLVAN N. KING	<i>Vice-President</i>
LOUIS A. GOOD	<i>Vice-President</i>
CARL F. KLEMENGER	<i>Assistant Secretary</i>

BOARD OF DIRECTORS

BENJ. J. FRIEDMAN	JAMES W. CONNORS
BARNEY RUBEN	HERBERT H. MAASS
IRVING COHEN	JOHN M. HANCOCK

MAURICE WERTHEIM

BOND STORES ARE LOCATED IN THE FOLLOWING CITIES:

AKRON, OHIO	FLINT, MICH.	OAKLAND, CALIF.
ALBANY, N. Y.	FORT WORTH, TEXAS	PHILADELPHIA, PA.
ATLANTA, GA.	HARRISBURG, PA.	PITTSBURGH, PA.
BALTIMORE, MD.	HARTFORD, CONN.	PROVIDENCE, R. I.
BIRMINGHAM, ALA.	HOUSTON, TEXAS	READING, PA.
BOSTON, MASS.	JERSEY CITY, N. J.	ROCHESTER, N. Y.
BUFFALO, N. Y.	KANSAS CITY, MO.	SAN FRANCISCO, CALIF.
CHICAGO, ILL.	LORAIN, OHIO	SCHENECTADY, N. Y.
(5 stores)	LOS ANGELES, CALIF.	SCRANTON, PA.
CINCINNATI, OHIO	LOUISVILLE, KY.	ST. LOUIS, MO.
CLEVELAND, OHIO	MEMPHIS, TENN.	SYRACUSE, N. Y.
COLUMBUS, OHIO	MILWAUKEE, WISC.	TOLEDO, OHIO
DALLAS, TEXAS	NEWARK, N. J.	TRENTON, N. J.
DAYTON, OHIO	NEW BRUNSWICK, N. J.	WASHINGTON, D. C.
DES MOINES, IOWA	NEW HAVEN, CONN.	WILKES-BARRE, PA.
DETROIT, MICH.	NEW YORK, N. Y.	YOUNGSTOWN, OHIO
(2 stores)	(8 stores)	

Factories in Rochester, N. Y. and New Brunswick, N. J.

BOND STORES, INCORPORATED

261 FIFTH AVENUE
NEW YORK

March 30, 1943.

TO THE STOCKHOLDERS OF BOND STORES, INCORPORATED:

Last year was the first full year of operations since our country entered the war, and it brought about many changes and new problems affecting economic conditions and business in general. This review will inform you of the pertinent developments in your Company during the year.

The enclosed financial statements certified by the Company's accountants show the condition of the Company as at December 31, 1942 and the results of operations during the year then ended.

Ladies' departments have been established in most of our stores. These departments feature ladies' man-tailored suits and coats. They were first introduced in October of 1942, in only a few of our stores, to test their acceptance by women. The immediate response accorded these new departments was most gratifying and resulted in their rapid expansion to additional stores. Women's apparel has been manufactured in accordance with our designs and specifications as to materials and workmanship. At the outset our requirements were purchased from outside sources. At this time we are manufacturing most of this merchandise in our own factories, located in Rochester, New York, and New Brunswick, New Jersey.

No new stores were opened in 1942. At the end of the year fifty-nine (59) stores were in operation, a list of which appears inside the cover of this report. Our stores are being kept up-to-date and in good condition in conformity with our policy of presenting to the public stores which are modern in all respects.

During 1942, governmental orders to conserve wool prohibited the continued manufacture of two trouser suits. As a result, our two trouser suits policy has been replaced by the sale of single trouser suits. This wartime change of policy together with the loss of sales due to great numbers of men entering the armed services, accounts for the decline in 1942 sales.

Price ceiling control was introduced during the year and applies to all of our merchandise. Our policy has always been to give good values and our low ceiling prices have added to the good will of our customers.

Beginning with the latter part of 1941 and continuing with January, February and March of 1942, our sales were abnormally excessive. During the first three months of 1942 sales were 106.4% above those in the corresponding period of 1941. This buying on the part of the public was largely of "scare" character. Our business and the demand for merchandise was so great that we adopted our own policy of conservation and attempted to limit our sales to one garment of a kind to a customer.

Since 1942 we have been manufacturing some army uniforms under contracts with the Government. This undertaking on our part was prompted to help the war effort rather than for profit. Army uniform contracts were accepted despite the fact that at the time civilian business was at an all time high. We will continue to accept Government contracts wherever we can be of assistance in the war program.

The Management provided an additional reserve of \$250,000 for contingencies which may arise from the uncertain conditions brought about by the war.

The primary objective of your Management is to meet the changing conditions as they arise and to maintain customer good will. The post-war era will find us in an advantageous position and ready to supply our customers, including those who return to civilian life, with their accustomed surroundings and service and with the best available merchandise.

The morale and constructive work of our employees merit the appreciation of the Management and of stockholders. Their spirit of cooperation encourages us in our belief that the problems ahead of us will be met as they arise.

By order of the Board of Directors,

Benj. J. Friedman
President.

BOND STORES, BALANCE SHEET AS A

ASSETS

Current Assets:

Cash on hand and in banks		\$ 2,209,291.42
Accounts receivable—customers	\$ 2,753,446.54	
Less: Reserve for doubtful accounts	582,659.15	2,170,787.39
Miscellaneous accounts receivable, sales tax stamps, etc.		65,628.06
Merchandise Inventories—Note A:		
Woolens, trimmings, etc.	\$ 4,703,009.15	
Work in process	902,885.45	
Finished goods	10,494,686.56	16,100,581.16
Total Current Assets		\$20,546,288.03
Post-war refund on Federal excess profits tax		15,300.00
Due from employees, less reserve		11,422.57
Due from employees for purchase of 600 shares of stock of the corporation, which stock is held as collateral for the unpaid balance		7,307.00
Deposits, advances, claims receivable, etc.		28,446.89
Investment in securities of and advances to wholly-owned subsidiary company (not consolidated), at cost less reserve of \$74,180.97		94,991.25
Fixed Assets—at Cost:		
Land	\$ 318,973.00	
Buildings	\$1,087,829.00	
Less: Reserve for depreciation	161,270.89	926,558.11
Machinery, furniture, fixtures and equipment	2,348,490.15	
Less: Reserve for depreciation	801,113.02	1,547,377.13
Alterations and improvements	1,030,446.32	
Less: Reserve for amortization	456,443.81	574,002.51
Total Fixed Assets		3,366,910.75
Leascholds—per books, less reserve for amortization		1,762.00
Cash held to purchase War Bonds for employees	\$ 5,109.11	
Less: Amounts withheld under payroll allotment plan	5,109.11	—
Deferred Charges:		
Prepaid rent and advances to landlords on improvements to leased properties	\$ 162,796.11	
Unexpired insurance and prepaid expenses	185,078.44	347,874.55
		<u>\$24,420,303.04</u>

The Notes to Accounts are an integral part of this statement.

INCORPORATED

T DECEMBER 31, 1942

LIABILITIES

Current Liabilities:

Serial notes payable—current installment	\$ 300,000.00
Accounts payable—merchandise and expense creditors	380,185.06
Customers' and employees' deposits	35,629.56
Accrued salaries, miscellaneous taxes and expenses	1,244,431.71
Reserve for Federal taxes on income	<u>4,696,022.33</u>
Total Current Liabilities	\$ 6,656,268.66

Serial Notes—The Equitable Life Assurance Society of the United

States, payable in annual installments of \$300,000.00	\$2,400,000.00
Less: Current installment shown above	<u>300,000.00</u>
	<u>2,100,000.00</u>

Total Liabilities	\$ 8,756,268.66
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Reserve for contingencies	750,000.00
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Capital Stock:

Common Stock—par value \$1.00 per share:

Authorized—1,000,000 shares

Issued—701,497 shares	701,497.00
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Capital Surplus (Note B)—per Account No. 2	6,435,713.42
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Earned Surplus (Note B)—per Account No. 2	7,776,823.96
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\$24,420,303.04

BOND STORES, INCORPORATED
STATEMENT OF SURPLUS ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 1942

Capital Surplus:

Balance—December 31, 1942 (No change during year)	\$6,435,713.42
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Earned Surplus:

Balance—January 1, 1942	\$6,404,909.75
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Add:

Balance carried from Statement of Income and Profit and Loss, per Account No. 3	2,389,296.27
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Miscellaneous adjustments for 1940 resulting from examination of income tax returns by Bureau of Internal Revenue	136,691.86
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Adjustment to conform 1941 provision for Federal income and excess profits taxes with amount paid	29,879.95
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	\$8,960,777.83
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Deduct:

Adjustment of Federal income and excess profits taxes for year 1940	61,558.67
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	\$8,899,219.16
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Deduct:

Dividends paid at \$1.60 per share	1,122,395.20
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Balance—December 31, 1942—per Account No. 1	\$7,776,823.96
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The Notes to Accounts are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED
STATEMENT OF INCOME AND PROFIT AND LOSS
FOR THE YEAR ENDED DECEMBER 31, 1942

Sales, including sales of \$388,449.23 to U. S. Government		\$44,339,990.57
Cost of goods sold, stores and general and administrative expenses		<u>37,065,230.27</u>
Operating profit before depreciation and amortization		7,274,760.30
Deduct:		
Depreciation	\$ 211,343.77	
Amortization	86,430.96	
Loss on wholly-owned subsidiary company (not consolidated)	<u>4,440.16</u>	<u>302,214.89</u>
		6,972,545.41
Add:		
Other income		<u>279,450.86</u>
Net income before provision for Federal taxes on income		\$ 7,251,996.27
Provision for Federal normal income tax and surtax	\$1,235,000.00	
Provision for Federal excess profits tax (after deducting a post-war credit of \$375,300.00, of which \$360,000.00 is currently allowable as a debt retirement deduction, the balance of \$15,300.00 to be received after the war)	<u>3,377,700.00</u>	<u>4,612,700.00</u>
Net income for the period		\$ 2,639,296.27
Less:		
Provision for contingencies		<u>250,000.00</u>
Balance carried to Earned Surplus—Account No. 2		<u><u>\$ 2,389,296.27</u></u>

The Notes to Accounts are an integral part of this statement and should be read in conjunction herewith.

BOND STORES, INCORPORATED

NOTES TO ACCOUNTS

FOR THE YEAR ENDED DECEMBER 31, 1942

NOTE A: Inventories are stated at or below the lower of cost (prime cost as to goods manufactured by the Corporation, retail inventory method as to furnishings, and invoice cost as to other merchandise, substantially on the "first-in, first-out" basis) or replacement market. Such methods for valuing the inventories are consistent with the practice of prior years.

NOTE B: Under the terms of the Notes aggregating \$2,400,000.00, evidencing the Corporation's indebtedness to The Equitable Life Assurance Society of the United States, \$9,912,799.50 of the capital surplus and earned surplus (which aggregated \$14,212,537.38 as at December 31, 1942), cannot be used for the payment of dividends (other than dividends payable in stock of the Corporation) on, or other distributions in respect of, or the purchase, redemption or other retirement of, Capital Stock.

GENERAL:

The Corporation is subject to the provisions for renegotiation of Government contracts under Section 403 of the Sixth Supplemental National Defense Appropriation Act (Public 528, 77th Congress, 2nd Session), as amended by the Revenue Act of 1942, under which the Government is authorized to adjust the prices on war contracts and sub-contracts, where profits on such contracts are deemed to be excessive, in which event a reduction in and refunding of profits may occur. Renegotiation in connection with the foregoing contracts is taking place at the present time but it is impossible at this time to predict what effect, if any, it will have upon the position of the Corporation as at December 31, 1942 or upon the results of operations for the year then ended.

The accompanying statements are subject to the final determination of the liability for Federal taxes on income.

ACCOUNTANTS' REPORT

To the Board of Directors,
BOND STORES, INCORPORATED,
New York, N. Y.

We have examined the balance sheet of Bond Stores, Incorporated, as at December 31, 1942 and the statements of income and profit and loss and surplus for the year then ended; have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary.

In our opinion, the accompanying balance sheet and related statements of income and profit and loss and surplus, together with the Notes to Accounts, present fairly the position of Bond Stores, Incorporated, at December 31, 1942, and the results of its operations for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

S. D. LEIDESDORF & CO.

New York, N. Y., March 30, 1943.